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# The AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*

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## ISSUE RAISED OVER INSURANCE PROPOSAL

U. S. Senate Committee Will Open Hearings in Washington Over Unemployment Measure

### SHARP CONTROVERSY IS CERTAIN

"American System" Under Attack by Some but Dole Declared Worse by Others

A committee of the United States Senate is about to open public hearings in Washington on the proposal to establish a system of compulsory unemployment insurance. Powerful interests for and against such a measure are marshalling their arguments. The Chamber of Commerce of the United States will appear, through its representatives, before the committee. So will the National Association of Manufacturers, the American Federation of Labor, the American Association for Labor Legislation. So will other organizations and interested individuals. A first rate political controversy is brewing. It will be carried as a red hot issue from the committee room to Congress when the legislators assemble in December.

#### Forms of Insurance

An unemployment insurance policy is one by which provision is made that laborers when out of work shall be paid benefits amounting to at least a part of their regular wages. The funds out of which these benefits shall be paid are provided by contributions which may be either by the workers themselves during periods of employment, by employers, by the state, or by joint contributions. Frequently the workers contribute each week a certain per cent of their wages—possibly 1 or 2 per cent—and employers and the government contribute a like amount. In some cases the system is voluntary; that is, it may be established by the workers of a certain industry of their own accord, or by corporations acting together with their employees. In other cases it is compulsory. In such cases the government requires industrial establishments to put insurance systems into operation. No system of compulsory unemployment insurance has been established in the United States either by the national government or by any of the state governments. That plan has been adopted, however, in nine countries—Great Britain, Germany, Italy, Austria, Poland, Bulgaria, Ireland, Luxembourg and Greenland.

Last month the Bureau of Labor Statistics of the United States Department of Labor reported that 79 industrial establishments in the United States operated voluntary insurance plans of some kind. The number of workers affected by these plans was 226,000. This figure is, of course, very small—only a fraction of the total working population. Fewer than 1 per cent of the



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The Department of Labor reports that in the manufacturing industries 28 per cent fewer workers are employed than in 1929, and that 41 per cent less is being distributed as wages. This indicates that wages have been cut quite generally, so that even those who have jobs are suffering a curtailment of income.

workers of the nation are covered by unemployment insurance of any kind.

#### American Experiments

Perhaps the best known plan now in use in this country is that of the General Electric Company. While a worker is employed, and is receiving at least half of his full time wages, he contributes one per cent of his earnings to the reserve fund. The company contributes a like amount. Then in case a worker is laid off he receives, after a two-week period of idleness, half of his usual wage, with provision that he shall not receive more than \$20 a week, nor for more than 10 weeks in a year.

These plans of voluntary unemployment insurance have not, as we have seen, been generally adopted in this country, and the slump in business finds millions of unemployed workers without income. This tragic situation has given rise to a demand for governmental action which would require the adoption of insurance programs in industry. Bills providing for such a system have been introduced in several state legislatures. An effort was also made at the last session of Congress to have the United States government adopt the policy of contributing money

from the United States Treasury to assist states in providing unemployment insurance. None of these bills were passed but the Senate did adopt a resolution introduced by Senator Wagner of New York calling for the appointment of a committee of senators to study the problem of unemployment insurance and to report back to the Senate. This committee, consisting of Senator Felix Hebert of Rhode Island, chairman, Senator Olis F. Glenn of Illinois, and Senator Robert F. Wagner of New York, this month is beginning the public hearings on the question.

#### The British System

Since no program of compulsory insurance has ever been tried out in the United States we are obliged to turn to foreign experience for light on the question as to how such a plan works. The first nation to adopt legislation of this kind was Great Britain. Its law was passed in 1911, so the experiment in unemployment insurance is just 20 years old. The British law has been changed several times. At present its provisions are as follows:

The government requires that a fund be created out of which unemployment  
(Concluded on page 7, column 1)

## EUROPEAN UNION PLAN IS STUDIED AT GENEVA

Commission of Inquiry Appointed by League of Nations at Work on Briand Project

### MANY DIFFICULTIES INVOLVED

European Trade Restrictions and Nationalism Growth Obstruct Agreement

With the passing of a critical summer an interested and anxious Europe turns its eyes to the little city of Geneva in Switzerland. There the Council of the League of Nations, the League Assembly and the Commission of Inquiry for a European Union are all holding sessions. Shaken by crises and weighed down by a widespread depression, Europe expectantly follows the deliberations and reports of these various League bodies, hoping for light to show her the way out of her troubles.

The Commission of Inquiry is earnestly at work seeking a way by which normal economic conditions may be restored. It is attempting to formulate a project by which the continent might unite into a federation; a union which would lighten the burdens imposed by abnormally high tariff walls and bring the nations into closer co-operation. It seeks to promote greater collaboration between the 27 countries comprising Europe. It would render more efficient the railway, the telegraphic, the postal, the monetary and credit facilities of the countries by either combining or co-ordinating them. It hopes, briefly, to establish a loose federation of states, each retaining its national identity, but yet existing as a part of a harmonious whole.

#### The Briand Plan

This project, the so-called Briand Plan, has no thought of setting up a great national state using the countries of Europe as its elements. The fact that the term "A United States of Europe," has been widely applied to it, may have created such an impression. M. Briand himself, in advancing his idea, states the contrary:

I think that among the peoples constituting geographical groups, like the peoples of Europe, there should be some kind of federal bond. It should be possible for them to get into touch at any time, to confer about their interests, to agree on joint resolutions, and to establish among themselves a bond of solidarity which will enable them, if need be, to meet any great emergency that might arise. That is the link I wish to forge.

Europe, then, does not seek a "United States" in the sense in which we are accustomed to use those words. It hopes eventually to reach a stage where, for instance, the farmer in Czechoslovakia might ship his products to any of the neighboring countries as easily as the farmer in Kansas can send his produce across the borders of his own state. The disturbed conditions in Europe today have been largely attributed to the

fact that freedom of commerce does not prevail there as it does in the United States. Because of the existence of tariff barriers designed to protect home industries, the continent has become commercially unbalanced. One country produces goods, which, because of such factors as climate, natural resources and aptitude of the people, should logically be produced in another. Taken as a whole, Europe may be roughly divided into two sections, one composed of states which in the main are industrial, and the other, of states which are principally of an agricultural nature. No definite line can be drawn between the two, but it may be said that the continent is so constituted. Were the free flow of goods permitted, an industrial country like Germany would find a ready market for its manufactured goods in Rumania. In return, Rumania could sell its agricultural products to Germany. But tariff walls place restrictions on this trade.

#### Post-War Europe

European countries have always been handicapped by barriers to trade. But the conditions, already bad enough, have been greatly aggravated since the war. To begin with, in spite of all the conferences held to promote amity between nations, in spite of the various pacts signed of a peaceful nature, the nations of Europe have not forgotten the bitter conflict which devastated and demoralized them prior to 1919. They have not come to the point where they are willing to trust one another. Armaments have been kept up, and countries have fought for supremacy on the continent, be it political or industrial. Each country, fearing possible aggression on the part of another, has wished to make itself self-sufficient; to produce enough within its own borders for the needs of its own people, so that in case of trouble it would be in a position to care for itself. Then, there has been a strong growth of nationalism among the newly formed states. The peoples now comprising Czechoslovakia and Yugoslavia, to mention two of the more important, were before the war subject to another nation. Yet they were people of another race and wanted to work out their own destinies. As a subject peo-

ple they developed an intense hatred of what they considered to be foreign rule. This feeling did not leave them once they were freed and allowed to establish their own governments. Fear of being drawn again at some future time into the clutches of a stronger nation, caused them to set out in a feverish manner to strengthen themselves. Trade barriers were raised; young industries were fostered and encouraged even though they were not suited to the country, and everything possible was done to insure against any future re-annexation to another state.

This fervent nationalism served to further disunite Europe. The effects are strikingly portrayed in a significant paragraph contained in a manifesto issued in 1926 by a group of bankers and industrialists, representing 16 countries, urging Europe to do away with its unreasonable trade restrictions:

The break-up of great political units in Europe dealt a heavy blow to international trade. Across large areas, in which the inhabitants had been allowed to exchange their products freely, a number of new frontiers were erected and jealously guarded by customs barriers. Racial animosities were permitted to divide communities whose interests were inseparably connected. . . . To mark and defend these new frontiers in Europe licenses, tariffs and prohibitions were imposed, with results which experience shows to have been unfortunate for all concerned. One state lost its supplies of cheap food, another its supplies of cheap manufactures. Industries suffered for want of coal, factories for want of raw materials. Behind these customs barriers new local industries were started, with no real economic foundation, which could only be kept alive in the face of competition by raising the barriers higher still. Railway rates dictated by political considerations, have made transit and freights difficult and costly. Prices have risen, artificial dearness has been created. Production as a whole has been diminished. Credit has contracted and currencies have depreciated. Too many states, in pursuit of false ideals of national interest, have imperiled their own welfare and lost sight of the common interests of the world by basing their commercial relations on the economic folly which treats all trading as a form of war.

To complete the picture of a Europe retarded and disorganized by tariff walls, we quote the late Dr. Stresemann of Germany, in a speech before the tenth Assembly of the League. "Is it not absurd," he said, "that modern invention should have reduced the journey from South Germany to Tokio by 20 days, while in Europe itself hours

are wasted stopping at frontiers for customs inspections as if Europe were a sort of little huckster's shop still open beside the big world emporium?"

#### Objections to Plan

These then are the difficulties attendant upon the formation of any sort of European Union at the present time. What are some of the objections to the Briand Plan as a project for union?

The greatest, perhaps, is the possibility of conflict with the League of Nations. It is held that the League is empowered to do most of the things a European Union would do. It was designed to promote coöperation among its members. It has numerous commissions already at work attempting to coordinate the activities of nations in such matters as tariffs, communication facilities, public works, labor troubles, and financial problems. An additional organization would only bring confusion and possible rivalry. The reply is made by proponents of the plan that the League, having so broad a scope, is not suited to the settlement of problems peculiar to Europe alone, and that the Commission which would function as the organ of the Union, just as the Assembly does for the League, would work not against or independent of the League but in collaboration with it.

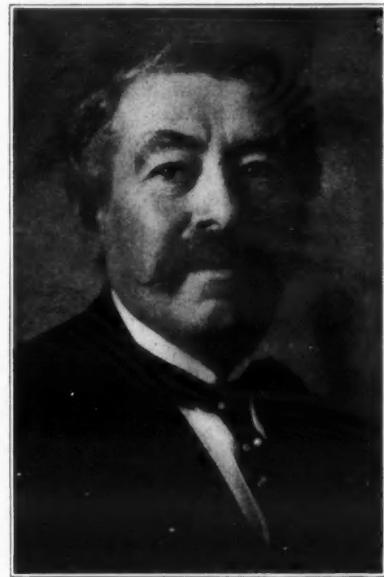
Yet another difficulty appears in the matter of the states intended for membership. The status of Great Britain will not be easy of solution. England has many interests in Europe, as was amply demonstrated by the recent crisis in Germany. She trades extensively with European nations, and much of her money is invested in the continent. No effective European Union could be formed without her as a member. Still it would be hard for her to join because of her dominions. These far-flung territories of Britain are interested in British trade. Britain and the dominions have long toyed with the idea of establishing a customs union of their own, with free trade among themselves and tariffs against outsiders. England's entrance into the European union would prevent her giving special privileges to the dominions for it would establish the rule of free trade with the nations of Europe. There is a feeling

among many in England that the dominions come first; that England can join no union which does not include them. Yet if they are included, there would no longer be a European Union but another League of Nations.

But this is not all. There is, for example, the question of Russia. Is it to be admitted? Because of its geographical location, it seems that it should. But the thought of a Communist state as a member of a union of capitalist countries is hardly logical.

#### The Austro-German Project

It has been said that the Briand Plan is too visionary and is impracticable.



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ARISTIDE BRIAND

To unite Europe, even into a very loose federation at one stroke, would be too difficult of accomplishment.

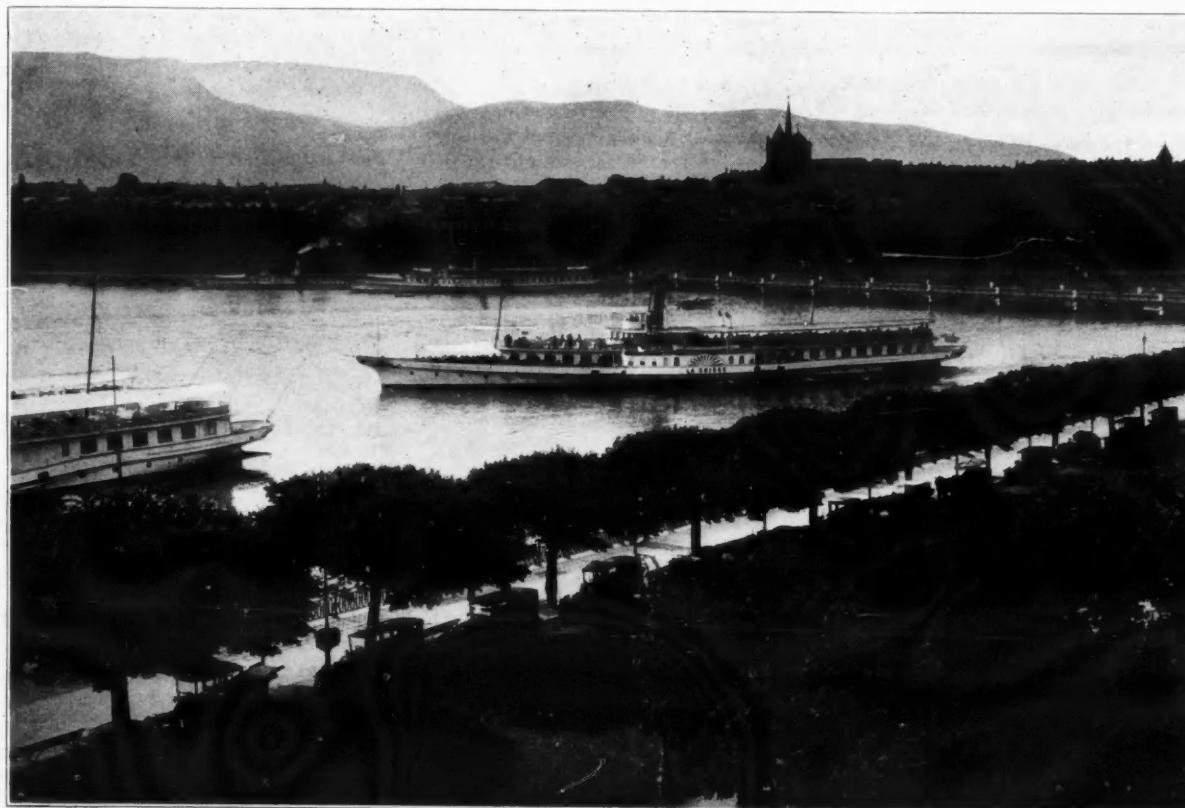
Only one other way by which a general union might be gradually brought about has been proposed. Last spring, Austria and Germany announced their plan for a customs union. They wished to abolish trade barriers existing between them and permit the free flow of goods among their peoples. By such bi-lateral agreements, which other nations might join, they held that eventually all Europe might be united into a desirable federation.

But other countries, principally France, suspected the motives of Germany and Austria. It was feared that they might unite politically as well as commercially. Moreover, it was charged that Austria in joining any form of independent customs union, violated her pledges made after the war not to do anything to threaten to compromise her economic or political independence. The failure of this project came only very recently. The World Court to which the plan was submitted for a decision as to its legality, returned a verdict against it. But even before that, Germany and Austria, knowing that a customs union between them would not be permitted, announced that they had abandoned the idea.

The Briand Plan, therefore, remains as the only project for a European Union which at present is receiving the attention of the interested nations. It is now being worked upon by committees established by the League. Progress will necessarily be slow, because the task is complicated.

It is now two years since hard times reached this country, and it is no longer open to serious question that we are in the midst, not of an ordinary trade depression, but of one of the greatest upheavals and readjustments of modern history. —Walter Lippmann

*in New York HERALD TRIBUNE.*



A SCENE IN GENEVA

The Commission of Inquiry on European Union, the Council of the League of Nations and the League Assembly are now in session in Geneva.

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## Gandhi Again Leads In Negotiations on India

Gave up Successful Law Career in London to Fight for Rights of His Own People

Clad only in a loin cloth, a scarf, and sandals, Mahatma Gandhi, India's chief delegate to the London Round Table Conference, arrived in England to reopen discussions regarding the future status of his country. He had traveled as a second-class passenger, preparing his own food, which consisted for the most part of goat's milk and dried fruit. Only a few homespun pieces of cloth and woolen wear were included in his luggage. And yet this man who travels so abstemiously controls the future of India with its 300,000,000 people.

"I shall not disappoint the nation," he cried to the large crowd that gathered about the dock to see him off,

And on my return if you are inclined to feel that I have let you down it is open to you to expel me. Not only that. Even if you lay hands on me to kill me I shall not consider it an act of violence.

In order to understand more fully such a statement from the lips of a political leader, it is necessary to retrace the past activities of Gandhi, explaining his strange relationship to his people. Almost 40 years ago there arrived in the city of Pretoria, South Africa, a young Indian lawyer named Mahandas Karamachand Gandhi. In appearance he was a dandy. But his abilities had earned for him a wide reputation. Upon his arrival in Pretoria he set to work immediately to dispose of the case that had brought him there. But from the outset his work was beset with difficulties. He discovered that South Africans care little for intellectual distinction in men other than Caucasians. He was made the victim of gross indignities, as were all of the other Indians living in South Africa. He thereupon determined to remain there in an effort to better the condition of his people. They could not pay him the \$25,000 a year that he had previously received as a lawyer, but he did not care. For them he discarded every semblance of western culture, adopting instead the rags that have become part of the Messianic tradition. For them he met and defeated the best legal talent in South Africa; for them he started an Indian newspaper; for them he founded and directed associations whose aim was Indian education.

After 20 years of continuous effort during which he was often beaten, reviled, and arrested, he finally succeeded in bettering the conditions of the Indians. This done, he returned to his native country to turn his attention toward similar measures for India. He spent several years in studying prevailing conditions. What he saw was a poor agricultural country in which 300,000,000 people were crowded together, living on the edge of subsistence, governed from above by English rulers.

Before all else Gandhi felt that India needed political independence. In 1914 England had made certain promises on condition that India would work toward a

successful conclusion of the war. The war ended, and the promises were not kept. Nor did the succeeding years bring the freedom for which so many Indian nationalists hoped. They became increasingly restless. In 1921 Gandhi commanded widespread non-coöperation. This consisted in avoiding government schools, in surrendering government offices, in refusing to vote at elections, and in boycotting foreign goods. It was an almost universal movement in India. Millions of Indians regarded him with reverence. He became known as Mahatma (great soul) by his followers, while among the unlettered he was worshiped as a saint.

Utilizing a policy of non-coöperation in which Indians were told to refuse to serve the English in whatever capacity, it was not long before crises were developing. During one of these crises Gandhi was arrested, and during the trial that followed he addressed the court:

I do not plead any extenuating act. I am here, therefore, to invite and submit to the highest penalty that can be inflicted upon me for what, in law, is a deliberate crime, and what appears to me to be the highest duty of a citizen.

In 1924 he was unconditionally released from prison following an operation for appendicitis. Since that date he has reappeared a number of times,



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SANTIAGO, CAPITAL OF CHILE  
The Congressional building is shown in the foreground.

once in protest against a salt tax, now in connection with the London Round Table Conference where he represents India in negotiations that will decide whether that country is to have Swaraj (self-rule).

### HARMONY RESTORED

The dispute between church and state in Italy which has been dragging along since the end of May has finally been settled. After extensive secret negotiations, Pope Pius XI and Mussolini find themselves in accord. The Catholic clubs which were closed by the Italian dictator because of alleged political activities are to be allowed to reopen after certain reorganization measures have been effected. The Church will assume a greater responsibility for the clubs, and will guarantee that they confine their endeavors to purely religious matters, the purpose for which they were originally established. Pope and premier seem to be in perfect agreement, and harmony has been restored to the point where Mussolini has announced his intention of visiting the supreme pontiff. The two have never met.

### UNREST IN CHILE

The large part which economic factors exert in political upheavals was again demonstrated last week in the revolution which shook Chile. The first sign of hostilities came in the form of a mutiny in the Chilean navy. Quickly a revolutionary fever seized the country during which students, workers, soldiers and sailors pressed forward their various alternatives to the deposed government. Meanwhile the Chilean Congress has declared a state of martial law which it hopes will permit the government to quell the restless elements.

The present uprising follows on the heels of a revolution which occurred but two months ago in Chile. At that time the military dictator, President Carlos Ibanez del Campo, was deposed, largely through the efforts of university students who were dissatisfied with his autocratic régime. The president had prevented freedom of speech and the press, he had destroyed every vestige of representative government, and in spite

of these various restrictions he had been unable to carry out a program of national reform through which it was hoped the commercial prosperity of Chile would be restored. Observers believe that the trouble lay principally in the failure of the government to control the drastic downward plunge of Chile's two principal products, copper and nitrate. Although the Chilean government had practically a monopoly on the nitrate market, the imposition of a tariff upon that product in Germany, where it was possible to make it cheaper synthetically, was one of the chief factors which led to the revolt.

The government which succeeded President Carlos Ibanez del Campo has not struck a sympathetic chord among the general population of Chile. This is due, it is believed, to the widespread unemployment in the country which in turn was brought about through the further deflation of Chilean commodities and through the world-wide depression. The new government, in an attempt to effect economies, proposed a 30 per cent wage cut in the navy. The result was a mutiny on the part of the sailors which was largely supported by their officers, and which the aviation force refused to assist in quelling. The movement spread to the army and then to the civilian population where it was taken up and extended by students and workers. A large proportion of the latter lean toward communism, and it is expected that in the light of this uprising the candidacy of Senator Manuel Hidalgo, communist candidate for president, will be materially aided.

The demands voiced by one of the naval leaders included subdivision of cultivated lands, punishment of the deposed President Ibanez, and the reduction of naval service to one year. The communists, on the other hand, pointed to the platform upon which Senator Hidalgo is running for president. This includes government control of rents, a moratorium on rents during the depression, non-payment of national debts, establishment of a dole for the unemployed, government control of foreign commerce, collective farming, a 38-hour week, and nationalization of land.

Meanwhile Chile continues in a state of unrest in spite of the defeat of the mutineers. Unless a dictator assumes control the issues involved in the rebellion may be decided in the forthcoming presidential election.



THE MASTER AND HIS FOLLOWERS

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WEDNESDAY, SEPTEMBER 16, 1931

### REVIEW OF THE WEEK

THE cause of revolution in Latin America, as individual citizens, is feeling the pinch of hard times. Its revenues have fallen off, due chiefly to a decrease in the proceeds from the income tax. Since individuals and corporations have suffered such a shrinking of incomes, the amount of taxes paid into the treasury from that source has necessarily declined.

At the same time that the revenues were falling away expenses were increasing. The payment of loans to the soldiers, as provided for in the bonus legislation enacted by the last Congress, has taken \$800,000,000 from the treasury. The government spent \$500,000,000 for construction and maintenance work in addition to that which is customary. This was done in order to furnish employment. The operations of the Federal Farm Board were also expensive. The result was that for the year ending June 30, 1931, there was a deficit of \$900,000,000. The government continued after that to fall behind. During July and August it lacked \$400,000,000 of paying its expenses. It is estimated that for the year ending June 30, 1932, the deficit may be \$1,500,000,000.

The treasury is meeting the situation temporarily by the double expedient of stopping payments on the national debt and of borrowing money through the issuance of bonds. When the war closed, the national debt amounted in round numbers to \$26,500,000,000. By 1930 a little over \$10,000,000,000 had been paid off. The indebtedness is now rising again, and amounted on the first of this month to \$16,863,781,233.

The bond issue was under date of September 15. The bonds were offered for distribution earlier, but they began to bear interest at that date. There

were two issues, one of \$800,000,000 running 20 years and bearing 3 per cent, the other an issue of \$300,000,000 running one year bearing 1½ per cent.

The government's credit is good, as was shown when the bonds were quickly purchased

by American investors. The treasury cannot, of course, go ahead borrowing and adding to the national debt indefinitely. If good times return, as every one hopes, the problem will be solved. But if the deficit continues to mount much longer, an increase of taxation will be necessary. Secretary of the Treasury Mellon and other administration officials have declared that our system of federal taxation needs to be overhauled. They argue that too great re-

liance is placed on the income tax, which is an unstable and fluctuating source of income. There is no indication, however, that they will press that issue at the coming session of Congress.

**M**EJICO is at last to become a member of the League of Nations. The Assembly of the League has issued a formal invitation which the Mexican government is glad to accept. At the time the League was organized, Mexico was not invited to join. For this omission American influence was

responsible. Relations between the United States and her southern neighbors were at that time strained. There had been a revolution in Mexico, and the new government had not yet been recognized by the United States.

This lack of an invitation has accounted for Mexico's long absence from the League. When the invitation to Mexico to join the League was under consideration last week in the Assembly Lord Cecil, British delegate, said: "This invitation is a correction of an omission made at Paris when the formation of this League was considered." And M. Briand of France said: "We all have deplored the regrettable mistake of omitting Mexico in the first place and we all are happy now to rectify that lamentable error."

Guatemala, which has had a seat in the Council of the League, is withdrawing from that position, owing to the fact that she cannot afford the expense of maintaining a representative at the Council sessions. The withdrawal of Guatemala suggested the possibility of Mexico's election to the vacant place in the Council, and thus added an inducement to Mexico to join the League.

**T**HE British Parliament met in special session under its new leadership on September 8. The situation was most unusual. Prime Minister Ramsay MacDonald was still at the head of the government, but he was no longer at the head of the Labor Party, which occupied the opposition benches and jeered the remarks of their late leader. The new leader of the Labor opposition is Arthur Henderson, who was foreign minister in the Labor government. The cabinet did not present its taxation and economy program at the first session, but introduced a resolution providing that the House of Commons should meet as a committee of the whole on Thursday, September 10, to take up that problem. The vote on this resolution was a test of strength between the new government and the Labor opposition. MacDonald and his followers won by a vote of 309 to 250, which indicates that the economy and taxation plans of the coalition cabinet will be enacted into law.

Former Premier Stanley Baldwin, the leader of the Conservative Party and now a member of the coalition cabinet, stated in his address that the protective tariff, which is advocated by the Conservative Party, would not be pressed at the present session. This indicates two things: first, that the opposition of the Liberals to a tariff will prevent the imposition of import duties at the present time; and second, that the Conservative Party, as soon as the present

emergency legislation is passed, will insist upon its program. If it does this, the coalition cabinet will fall and a new election will be held. It appears to be taken for granted in England that the election will come sometime during the winter, and possibly within two months or so.

**F**OR a period of 32 months King Alexander of Jugoslavia exercised a dictatorship over his country. Dissatisfaction among the people who spring from radically different races brought on political disturbances in 1929 which threatened the unity of the nation. As a safeguarding measure at that time, the king deemed it necessary to take the reins of government into his own hands.

Alexander is now of the opinion that the time to remove the dictatorship has arrived. He announced early in September that a liberal and democratic constitution would be established. The people will be given a voice in the new government which will function in a manner somewhat similar to our own. Freedom of speech and of the press will be permitted and the three languages used by the people of Jugoslavia—Serb, Croat and Slovene will be recognized as official state languages.

Thus another dictatorship, the rule of an individual over a country, passes in Europe. A few years ago there seemed to be a definite trend towards dictatorship; now the wheel is apparently turning the other way.

**T**HE World Court has handed down an important decision. It has decided against the legality of the proposed Austro-German customs union. Last spring Germany and Austria announced that as soon as they could arrange to do so, they would form themselves into a customs union, thus breaking down the tariff walls between them and constituting the two countries as one so far as the collection of import duties was concerned. This idea was very displeasing to the French, for they felt that the formation of an economic union of this kind would lead to the political union of Germany and Austria, thus giving Germany increased power. They insisted that the customs union would be a violation of the Treaty of Versailles, which forbade the union of Germany and Austria. They said also that it would violate an understanding entered into by Austria in 1922. At that time Austria was bankrupt. She needed money but could not get it because her government was unstable. In order to help her to her feet, Great Britain, France, Italy and Czechoslovakia came to her aid. Austria was put under the guardianship of the League of Nations, and her finances were supervised. She was also given loans by the allied powers. In return for this help, she promised definitely not to do anything which directly or indirectly might endanger her independence.

The Court did not declare the customs union a violation of the Treaty of Versailles, but it did declare it to be a violation of this 1922 agreement. The majority decision was rendered by judges from France, Poland, Salvador, Cuba, Spain, Italy, Colombia and Rumania. The American representative on the Court, former Secretary of State Frank B. Kellogg, thought that the cus-

toms union was not illegal. With him in this dissenting opinion stood the judges from Germany, Great Britain, Japan, China, Belgium and Holland. The composition of the majority, consisting for the most part of the smaller nations, stands in marked contrast to that of the minority, which consists of great powers. Clarence K. Streit, commenting on this point in a dispatch to the New York *Times*, says:

The Germans and Austrians find reasons to rejoice in all this. They profess to see a moral victory in the fact that the countries of which the minority judges are citizens represent greater weight than those of the majority, and they line up the great powers—America, Britain, Japan, and Germany—against France and Italy.

The franker among them admit that what pleases them most is that they got the seven instead of the eight end of the decision—"For had we got a majority, we would have been forced by public opinion at home to push on with the customs union, which would have been most embarrassing to us in view of our present financial plight."

The Germans and Austrians a few days before the Court decision announced that they would not carry out the customs union plan. The general opinion prevails that they were forced to make this concession by economic necessity. They were obliged to borrow money. France had the money and was in a position to drive a hard bargain.

**T**HE cause of revolution in Latin America recently has not prospered. For weeks rebels in Cuba made a determined effort to overthrow the Machado régime. They have not, however, been strong enough to oppose successfully President Machado with his army of 12,000 men. After considerable guerilla warfare the rebellion was suppressed.

But the uprising has not been without effect. The president heeding the warning sounded by the clash of arms has promised to institute reforms. Important amendments to the constitution are promised. Personal liberties will be guaranteed, labor's right to a just wage will be recognized, and a parliamentary rule with some limitations will be established. By these measures, among others President Machado hopes to bring satisfaction to his people.

Similarly the revolt in Chile appears to have been checked. The mutinous warships manned by rebels, many of whom were Communists who wished to reorganize Chile after the pattern of Russia, were brought to subjection after an aerial attack on the part of government forces. An official government statement announces that "discipline has been re-established over all armed vessels of the fleet."



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ANDREW  
MELLON



—Brown in New York HERALD TRIBUNE

## Collapse of German Credit Blamed Upon Policy of Political Creditors

**Dr. Otto Kiep, German Consul-General, Discussing Germany's Financial Condition for The American Observer, Believes It the Inevitable Result of the War**

Dr. Otto C. Kiep, German Consul-General, entered the Diplomatic Service after the World War and took part in several important conferences, such as London, 1921 and 1924, Locarno, 1925, and Geneva, 1926. He was attached to the German Legations at The Hague and Budapest, and to the Embassy in Washington, until he became Chief of the Press Department in the Foreign Office, Berlin, in 1925. He was appointed Counsellor of the Embassy in Washington in 1927 and German Consul-General at New York in 1931. Dr. Kiep is a specialist in international law and a member of the International Law Association as well as the American Society of International Law. This is one of a series of interviews and statements prepared exclusively for THE AMERICAN OBSERVER by world leaders.

The present credit crisis in Germany, which by the suddenness of its appearance and the force of its effects has bewildered the public mind equally in Germany and abroad, has been the subject of much speculation and discussion as to its origin and underlying causes. It has been characterized by



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the present situation, would perhaps have to make way for a new system of state and politically controlled finances and economics of a type which might not be desirable.

Among the reasons adduced in this international discussion as responsible for the present German situation may be mentioned: the cumulative overbalancing of the existing depression at one of the world's economic weak points, the maladministration of German public finances, the failure of German policy to come to an understanding with her former enemies, and so forth. It is even suggested in some quarters outside Germany that German "propaganda" against the Young Plan is the cause, whereas, by contrast, quite a number of German critics at home blame their government for not having long ago ceased payments under the plan which could only be made from foreign loans and were thus at the same time an injustice to the German economic system and to the foreign investments therein.

An impartial scrutiny of the situation would appear to reveal that, though some of these causes may be regarded as contributaries to the outcome, the cause of the collapse of German credit lies primarily and overwhelmingly in the results of the sequence of political and economic events which represent in their totality the so-called "reparation policy" of Germany's political creditors.

After the complete elimination of the working capital of the German economic system within and outside of Germany, as a consequence of reparation exactions and inflation on the one hand, and of the seizure of German property abroad on the other, a committee of international business men was in 1924 invited to prepare a new plan of reparations. They decided that, although there was no more liquid capital in Germany available to be transferred to creditors, the German economic machinery was in excellent working order

and could, if supplied with the necessary fuel, be set to work to earn not only the requirements of the German people, but a substantial surplus beyond that which could go to the payment of reparations.

On the basis of the new plan and the contemporaneous stabilization of German currency, a great quantity of foreign capital flowed into Germany, primarily from this country, to seek long and short term investment there. This fructifying stream revived the German economic system into prosperous activity; it proceeded to work with increasing success and profit; confidence in it grew, and ever more foreign money was invested in the apparently excellent business enterprise called Germany. Then one day the stream of money was deflected in the opposite direction, the crisis of autumn 1929 set in with a prolonged general depression in its wake, and the German motor began to sputter badly. The earlier confidence changed to a growing apprehension for the safety of the invested capital, and various creditors sought to withdraw the monies loaned. This was the beginning of the present acute credit crisis which for a time threatened to bring the whole economic system of Germany to collapse by attacking its financial basis.

Now it is true, and there the propagators of the "propaganda theory" are correct, that in all discussions of the reparation question the various German governments involved have earnestly and repeatedly voiced their doubts as to the possibility of fulfillment. They were, however, in every case of new settlement either obliged by political and economic pressure to accept the appraisal of their creditors; or they were persuaded to do so by the advice of friendly governments and individuals who promised assistance and coöperation if Germany accepted a compromise enabling the speedy reestablishment of international business.

Even against strong opposition at home and the advice of numerous foreign experts of renown who declared the reparation figures to be incapable of fulfillment, the German government on each consecutive occasion of reparation settlement sought understanding with the creditors and coöperation with the other countries of the world in

order that peace might return to the world economic system as quickly as possible. This policy has been justified by its results, in that Germany developed into a strong factor of production and consumption in the world economic system, the world enjoyed a period of growing prosperity, and the sore point of international politics, the reparation question, seemed solved on a purely economic basis. So it was, until the recent crisis revealed the weakness of the structure on which this solution was based and the extent to which politics still dominated therein.

Going further back we find that the fulfilment of the various deliveries under the Armistice and peace treaties and the several payments exacted under compulsion during the first years after the war had the consequence of bringing the German currency system, already greatly weakened by war-time inflation, to a complete collapse, whereby the whole German people were deprived of all their savings accumulated through generations of thrift and hard work. A government which permits such hardship for its people can surely not be accused of placing their interests before that of its creditors. It was this complete destruction of the liquid capital of Germany which created the vacuum, causing foreign money to flow into the country in such quantity after stabilization, and it was this complete impoverishment of the German people which forced the states and communities to increase their social welfare service to an extent which in some cases brought upon them the reproach of extravagance.

It thus would appear that what has happened was the inevitable result of the liquidation of the World War in the manner determined by policies which could find no other way of coöperating; and that the various governments of Germany in accepting such policies, in the interest of peace and harmony, have sought conscientiously to do their duty by their own people, by Germany's creditors and by the other nations of the world. The German people owe gratitude to their government for the strength and sagacity with which it has handled the many and difficult problems of the last year, and the world outside of Germany may likewise have confidence in such leadership.

THOUGHTS AND SMILES

Unless drastic measures are taken to save it, the capitalist system throughout the civilized world will be wrecked within the year. I should like this prediction to be filed for future reference. —Montagu Norman, Governor of the Bank of England.

Can it be that some of those assets which we hoped were only frozen are actually petrified? —Boston EVENING TRANSCRIPT.

In case of having to present any relief program to the Senate, Mr. Gifford of the Bell System will have to bear in mind that he's dealing with gentlemen who couldn't master the dial telephone. —Detroit NEWS.

"In these difficult financial times" observes a contemporary, "we owe much to our bankers." Still, there is no need to rub it in. —Punch.

From a Wall Street reader comes the suggestion that the high quotations of 1929 be restored in the stock market by having all security holders "plow under" every third share of stock they hold. —St. Louis GLOBE-DEMOCRAT.

Life insurance records indicate that the national health was better in 1930 than the year before. We're probably on the way to another surplus. —Salt Lake City TRIBUNE.

France proposes a "world army" to enforce the League of Nations' orders. Now somebody may propose another army to make the "world army" be good. —Portland (Ore.) MORNING OREGONIAN.

Scientists seem to have developed a good substitute for everything except consumers. —Buffalo EVENING NEWS.

No wonder people can't lick the depression. No one has thought of a good slogan. —Robert Quillen in Houston CHRONICLE.

In these days gentlemen prefer blondes with jobs. —Morgan Cook in Philadelphia INQUIRER.

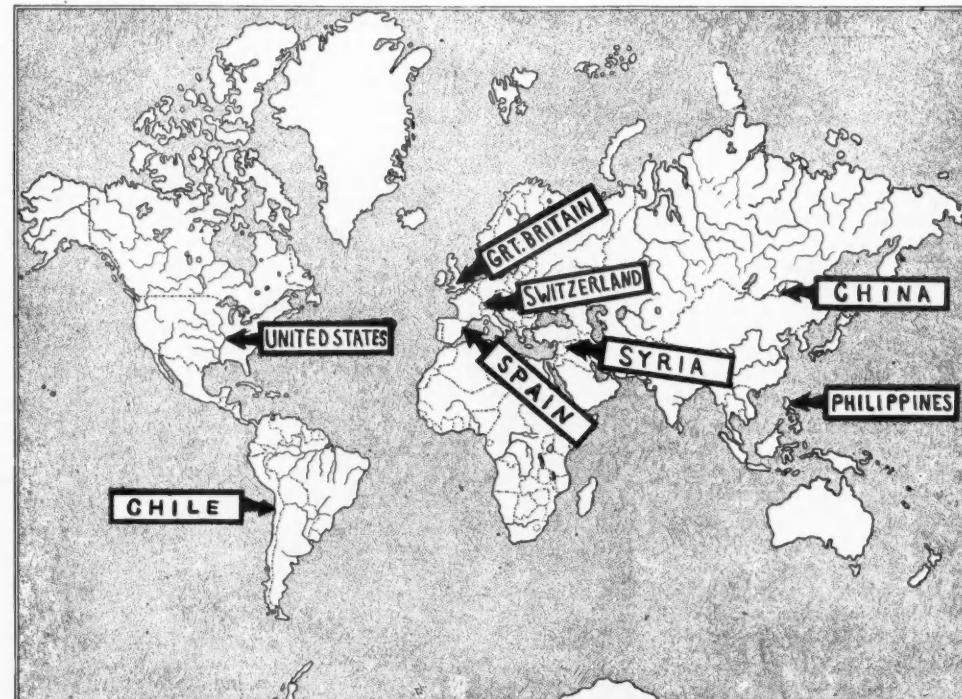
At the last minute Gandhi decided not to take his two goats to London, but this is not saying that he will not get some at the Conference. —Pittsburgh POST-GAZETTE.

As yet the Farm Board has done nothing about the scarcity of the name Herbert Hoover in the 1931 baby crop. —Louisville COURIER-JOURNAL.

Bernard Shaw now has two enthusiasms, the other is Russia. —Detroit NEWS.

The present international situation reminds one that burying the hatchet is not so important as forgetting the location after it is buried. —Christian Science Monitor.

The Chinese proposal has many possibilities. For instance, we might give away one old shipping-board vessel with each bushel of wheat. —Boston HERALD.



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### COUNTRIES IN THE NEWS

The United States—Government floats a large loan; Chile—threatened by Communistic revolt; Great Britain—Parliament deliberates budget measures; Switzerland—League of Nations' bodies in session at Geneva; Spain—Political turmoil in Barcelona; Syria—Independence considered by League of Nations; China—Buys wheat from U. S. to feed flood victims; Philippines—visited by Secretary of War Hurley.

# SOCIAL SCIENCE BACKGROUNDS

**A**FTER we pass the romantic epoch of discovery and exploration in our study of American history, we come upon a period of colony building. This period covers roughly the seventeenth century, though few foundations were laid in the first quarter of the century and one colony, Georgia, was settled well on in the eighteenth century.

The reader who examines thoughtfully the institutions which the founders brought to these early colonies may be impressed with a number of colonial characteristics which will at first seem strange and even un-American. He will find, for example, that the society was not democratic, either politically or socially. There were distinctions of class and there were restrictions upon the suffrage. It was the general rule that only those owning a certain amount of property might vote, and stranger still, in nearly every case there were religious qualifications upon the voting privilege. In Massachusetts only Puritans were allowed to take part in the government, and even Maryland and Pennsylvania, more tolerant than most of the other colonies, reserved citizenship to those who professed the Christian faith.

Another fact of the early colonial life was the close restriction upon conduct. The first session of the House of Burgesses in Virginia passed laws punishing idleness, gambling, drunkenness, Sabbath breaking, and even excess in apparel. And similar measures were enacted quite early in other colonies. Finally one notices among the colonial leaders a spirit of intolerance which manifested itself in stern suppressions of unconventional religious views. Quakers were hanged in Massachusetts in 1660, and the witchcraft episode of 1692 has become famous in American history.

Our first obligation in examining this period of history is to look beyond mere incidents to see the real meaning of the events, or customs, or institutions. If we read our history in that way we see in the colonial political distinctions, "blue laws," and intolerance, something more than the outcropping of characteristics in keeping with an age that has passed. We see people grappling with problems not unlike those which modern societies face.

The founders of the colonies did, indeed, limit participation in the government to those who accepted the prevailing religious views, but we must remember that there was throughout the world a greater concern over religious differences than there is now. Nations were fighting about religious systems. Upon the acceptance by the people of certain creeds, thrones depended for their security. Affairs of church and state were interwoven. Customary religious institutions could not be questioned without weakening the supports upon which governments leaned. When, therefore, a man denied the prevailing religious beliefs, he was threatening the props of organized government much as a Communist, by preaching his anti-nationalistic, anti-capitalistic doctrines, is doing today.

The people felt then that the establishment of a government

*The Great Issue*

sanctioning the right religious principles was tremendously important. So the question they really had to face was this: Should they leave the establishment of such a government to the chance that it would be sustained by the approval of all the inhabitants? Was it more important to have a complete democracy than it was to have a society which was built on what were then conceived to be the right principles? Should the choice lie with all the inhabitants, or only with such as, in the opinions of those in authority, could be depended upon to steer clear of what were at the time considered the most destructive heresies?

How would people in the twentieth century answer the same question? How is it answered today in Russia? The founders of the new Russian government have to meet the same question. Interests have shifted, to be sure. Primary concern in the modern world is not so much with religion as with problems of economics and politics. The Russian leaders feel that the most important thing in the world is the establishment of a Communistic state. Shall they allow it to the free choice of all the people to decide whether Communism shall be maintained or not? The answer of the Russian authorities is that they will do no such thing. Democracy with them is not the supreme end in life. Communism is. So they give the right to vote only to Communists, just as Massachusetts gave it only to Puritans.

What we are getting at, of course, is this: the problem of the early colonists was not one peculiar to their own age. It was a problem which has persisted wherever peoples have undertaken government at all democratic in nature. Interests have shifted. Political power is restricted for other reasons than those which brought about restriction among the colonists. We are intolerant today about different things, because we are interested in different things. But certain issues, like those of political restriction and intolerance,

*Interests Have Shifted*



Courtesy of the Corcoran Gallery of Art  
EDICT OF WILLIAM THE TESTY  
The settlers of New Amsterdam gather before the governor's house to defy his edict against smoking—one of the early controversies brought about by governmental intolerance.

*A Way To View the Past*

ance were present then and, in different forms, they are present now.

If we look upon the practices of the early colonists in the light of our own interests, their activities seem bigoted and almost primitive. But when we look at their conduct in its relation to the facts of their own time, a truer picture appears. We also are enabled, by such a process of study, to trace some of our present problems historically and thus to understand them more clearly.

**T**HE spectacle of the European nations sending their representatives to Geneva to consider plans of economic union is an interesting one to students of modern history and of political science. It suggests a study of the problem of nationality, for it is the intense feeling of patriotic nationalism that has made possible the erection on the continent of Europe of those barriers to trade which have so gravely handicapped the industrial life of that region.

We are witnessing these days an act in an old, old drama. There are two facts about this spirit of nationalism which it is well to keep in mind. One is that it has been alive in the world for a long time, and the other is that it is, after all, a product of that period which we call modern. Hayes and Moon say in their "Modern History."

National patriotism, as we know it, is a product of modern times. Only one element in it is very ancient and this one element is a sense of loyalty.

They go on to say that loyalty has been a characteristic of the human race from time immemorial and that it has taken the form of loyalty to persons, loyalty to places, or loyalty to ideas, and that out of these loyalties there developed, four or five hundred years ago, modern national patriotism. The reason why nations of the modern type did not develop during the Middle Ages, according to these

authors, is threefold. First, all educated people in western and central Europe knew and used the same language. Second, people did not travel much outside their own neighborhoods and did not communicate with others so as to develop a common feeling. Third, the idea of unity under the Holy Roman Empire and the Church prevailed and no nation had developed "a single, independent, political organization of its own."

Early in modern times conditions became more favorable to the development of national states. First Latin declined, giving rise to national tongues—French, Italian, Spanish, English, German, etc. Second, trade began to extend beyond the neighborhoods and to get people acquainted over a wider area. Third, local chieftains grew in power until they were able to establish themselves as kings.

If we turn the wheel of time forward a few centuries we come to the present year. We find nations which have long been established, and others newly formed as independent entities but long established as social units with their local patriotisms. We find feeling very high so that now among the strongest loyalties in the world are loyalties to nations and to their aspirations for power. These national states have erected walls about themselves—walls which impede the free interchange of goods so essential to prosperity in our modern times of interdependence.

This condition is being subjected to scrutiny. Thoughtful statesmen are inquiring whether there should not be a large measure of co-operation. In estimating the chances for success of a movement of this kind we are led to ask what are the conditions today making for a growth or a recession of the spirit of nationalism. We come to these conclusions:

First, the separations due to language differences still exist. Second, the movement of peoples and the transmission of ideas has continued to grow at a rapid pace until now, by means of swift ocean travel, the airplane, through railway service, the telegraph, the telephone, the radio, peoples are becoming acquainted not only with those inside their national borders but with other peoples throughout the world. Third, the power of autocrats, of kings, is waning and peoples themselves are coming into the mastery.

The first of these conditions makes for a continuation of nationality with its fierce spirit of patriotism. The other conditions, which in their early development tended to merge localities into national units, tend now toward the creation of common interests, international in scope. We are therefore at a period of some confusion, of conflicting interests, of doubtful direction. All this we see by linking the events of early modern history with the events of our own day, seeing the whole process as a united chain, new links of which are even now in the forging.

## ISSUE RAISED OVER INSURANCE PROPOSAL

(Concluded from page 1)

benefits shall be paid to those who are out of work. To this fund employers contribute 8 cents a week for each worker that they have in their employ under 18 years of age, 14 cents a week for each worker from 18 to 20, and 16 cents a week for each worker from 21 to 65 years. The workers contribute of their wages 7 cents, 12 cents and 14 cents. The government contributes 7½ cents, 13 cents and 15 cents, depending, as in the case of the employer and the worker, upon the age of those employed. This scale of contributions applies to male workers. The payments in the case of women are one cent less per week for all classifications. A worker is qualified to receive a payment from this fund if he has made 30 contributions during the two years preceding his being thrown out of work.

He begins to receive benefits after he has been jobless six days and continues to receive them so long as he is without work, provided that he does not refuse any suitable employment. Boys under 17 receive \$1.46 a week, and the benefit goes up with advancing age, men between 21 and 64 receiving \$4.14 a week. Women receive from \$1.22 a week to \$3.65 a week depending upon their age.

### The "Dole"

It will be noticed that no one is eligible to receive money from this fund unless he has made 30 weekly contributions. Those who have not made these contributions are not left unprovided for, however, if they are willing to work and cannot find anything to do. In such cases benefits are paid to them, but the money is not taken from the general fund. It is paid by the government.

For eight years after this plan was inaugurated it worked smoothly. The payments which were made into the fund were sufficient to meet the cost of operating it. After the benefits were paid to those who were out of work there was always a balance on reserve. But when hard times came to England in 1922 and more men and women were thrown out of work, the drain upon the fund became greater—became so great in fact that the fund was no longer sufficient to meet the demands upon it. There was, however, a provision of the law which took care of such a situation. It was provided that money could be borrowed from the government to make up the deficit in case there was not enough money in the fund to make payments to the unemployed. Since 1922 this borrowing has been going on. The fund has accumulated a debt to the government of about \$400,000,000. The British taxpayers have thus paid out \$400,000,000 in addition to the contributions which the government regularly makes to the unemployment fund. It is these extra payments by the government which constitute, strictly speaking, the "dole," or gift.

### How It Works

Whether or not this plan works well in Great Britain is a subject of controversy. Every one admits that there

are wastes and abuses in the system. It happens sometimes that workers receive payments when they are not entitled to them. Furthermore, the program is a very expensive one. It is a heavy drain upon the treasury. It appears, however, that few people in Great Britain are asking that the unemployment insurance system be abolished altogether. There is a widespread demand that it be put on a strictly insurance basis—that is, that the benefits paid out shall not exceed the amount collected in normal contributions by workers, employers, and the government. There are demands, in short, that borrowing from the treasury cease—that the system get back to the place where it was before it began running in debt nine years ago. But that is about as far as the opposition goes. Suzanne LaFollette, an American writer who is in England studying the unemployment

ized workers are strongly in favor of it. The Trade Unionists forced the overthrow of the MacDonald government rather than agree to a cut of the "dole" by as much as ten per cent. In this country, however, organized labor does not speak with a clear and definite voice. Samuel Gompers, who for many years was the leader of the labor movement, always opposed unemployment insurance and the present president of the American Federation of Labor, William Green, has declared against it. His argument is that emphasis should be placed upon the campaign for higher wages and for stable working conditions—conditions which would render unemployment insurance unnecessary. On the other hand, Sidney Hillman, president of the Amalgamated Clothing Workers of America, and a force in the labor movement, favors insurance. Most employers of labor in the United States oppose

which are interested in the labor movement—such an organization as The American Association for Labor Legislation—and from liberal journals of which *The Nation* and *The New Republic* are representative.

### The President's Position

President Hoover has taken a decided stand against compulsory unemployment insurance. He favors voluntary systems which may be adopted by corporations or industries but he stands strongly against any contribution by the government to a fund out of which unemployment benefits may be paid. Last summer he made this statement:

We have had one proposal after another which amounts to a "dole" from the Federal treasury. The largest is that of unemployment insurance. I have long advocated such insurance as an additional measure of safety against rainy days but only through private enterprises of industry and labor itself. The

moment that the government enters into this field it invariably degenerates into the "dole." For nothing can stand the political pressure which carries government over this dangerous border. The net results of governmental doles are to lower wages toward the bare subsistence level and to endow the slacker. It imposes the injustice of huge burdens upon the farmers and other callings that receive no benefits. I am proud that so representative an organization as The American Federation of Labor has refused to approve such schemes.

This argument of President Hoover is often heard among opponents of unemployment insurance. They say that in time of stress any plan of unemployment insurance will break down; the funds which have been collected in the usual way will not be sufficient and a raid will be made upon the treasury of the government. They contend that such raids, once begun, cannot easily be stopped and that the system is likely to degenerate into the support of a large part of the population by the public. They argue that such a system is a burden upon taxpayers, a check upon legitimate industries and a threat to the initiative and integrity of the masses.

### The Other Side

In opposition to this position is the argument that unemployment insurance is a fair and logical means whereby an industry, in times of plenty, may set aside reserves with which to maintain the human forces of that industry during times of depression. It is argued that the thing which breaks down morale and self-respect is the insecurity of the worker in an uninsured society. It is the anxiety that gnaws at his heart year in and year out, the necessity imposed upon him of accepting charity in times of depression and the fear of want which preys ever upon his mind. Advocates of unemployment insurance frequently contend that our system of unsystematic and yet ostentatious charity is worse than the so-called "dole" systems of Europe. *The New Republic* says:

Do the self-righteous defenders of what is euphemistically called the American "system" of dealing with unemployment want to stop our doles? Do they really want to let all the unemployed starve and freeze? . . . If not, then the unemployed must be "sustained in idleness" by someone, and the burden of doing so is actually borne by the economic structure, as it is in Europe. The real question is whether it might not be borne in a more foresighted, systematic, and fair manner than it is, if we should substitute the modern conception of insurance for the medieval one of charity.



A DEMONSTRATION BY UNEMPLOYED

This crowd of workless workers in San Francisco is clamoring for unemployment insurance and other relief measures. Similar demonstrations are occurring in a number of cities.

situation, says in the September 9 issue of *The New Republic*:

Among the many people whom I have deviled about this question—government officials, employers of labor, workers, and politicians of all parties—I have met with complete unanimity of opinion about the value of unemployment insurance and the importance of maintaining it. The differences, and there are many, arise when it comes to the question of the nature and scope of the system and the qualifications for benefit. That the system has got out of hand is certain and the government has been under a constant fire of criticism from both the conservatives and the left wing of its own party.

Miss LaFollette, while conscious of the stupendous costs of unemployment insurance, points out certain remarkable contributions it has made to the public welfare. She says that the worst of the slums have disappeared. Even amidst the dismal depression which has lasted for years there is little hunger. "The spectre of want," she says, "no longer haunts the British wage-earner and the fear of it has vanished from his eyes."

### The Issue in America

The issue of unemployment insurance is so new in the United States that the line of battle has not been drawn clearly and sharply. It is hard to describe accurately the nature of the support of such a measure or the opposition to it. In Great Britain the organ-

compulsory insurance. James A. Emery, general counsel for the National Association of Manufacturers, expressed an idea very popular in business circles when he said:

Not only theoretically but practically the history of mankind demonstrates in recurring periods, from Rome to Britain and Germany, that you cannot teach a people to lean upon government as a substitute for self-denial and self-reliance in meeting the hazards of life without fatally enervating those essential characteristics that have been our chief possession.

Such a prominent business leader as the Boston merchant, Edward A. Filene, speaks, however, in favor of unemployment insurance. He argues that a system which would give workers a small income even when they were laid off would increase consuming power and that this would tend to keep industries in operation. It would, in that way, hasten the return to prosperous conditions. "The buying and consuming power thus continued," he said, "would help pay for the cost of insurance contributed by management. The economic circle of producer to consumer would thus be maintained without a serious break and at far less cost than the present system of poor relief."

The weight of sentiment in the business world is undoubtedly opposed to unemployment insurance. The strongest support comes from organizations

## New York Plans Relief Measures

Cities Also at Work; Detroit Has Undertaken Extensive Program

Governor Roosevelt of New York has presented to the legislature of his state a measure which he believes will adequately take care of the unemployed of New York during the approaching winter. His recommendation includes the

setting up of a committee of three persons which will have as its function the appointment of sub-committees in the various cities and counties of the state. The members of the chief committee, appointed by the governor, will have charge of \$20,000,000 which it will

divide among the counties and cities of New York according to their need and to "the amount of local effort and initiative as shown by the money raised in the municipality by public and private means." The \$20,000,000 thus expended will be raised by an increased income tax which will be 50 per cent more than the present tax, and will fall proportionately on all incomes ranging from \$3,000 up.

In defense of this last measure Governor Roosevelt said:

It seems logical that those of our residents who are fortunate enough to have taxable incomes should bear the burden of supplementing the local governmental and private philanthropic work of assistance. . . . There were approximately 300,000 personal income taxpayers this year. By spreading this burden among those people, few of them will feel it to an appreciable extent and the whole body of our income-making citizenry will be sustaining their share of the burden.

In addition to these proposals Governor Roosevelt suggested that cities and counties in New York be given the authority to issue bonds in order to carry out public work which would enable more men to secure employment, and further, that a five-day week prevail in all contracts for state or municipal work of this character. So much enthusiasm was shown by the legislature following Governor Roosevelt's speech in support of his bill that it is believed that the proposals have little chance of defeat.

Such a bill may ease the situation recently predicted by Edward C. Rybicki, director of the City Free Employment Agency. In a radio address Mr. Rybicki said:

The United States Census Bureau has told you that there are 254,000 jobless in our city. I tell you that the figure is nearer a million. One look at the applications in our files would bring to you the tragedy of our unemployment situation better than any words I might say. Here you will find fathers of families of three or four who have been unemployed for six months, a year, two years. That they have managed to exist is a mystery. In the face of this approaching horror, the Federal Government is appointing another commission to study the situation. This is small comfort to a hungry, jobless man. He does not need a commission; he cannot eat a report.

While Governor Roosevelt has taken steps to relieve the acute unemployment situation in New York, Governor Pinchot of Pennsylvania has asked the President to call a special session of Congress to consider ways and means of combating the effects of the depression, pointing out that there are at the present time some 900,000 unemployed workers in his state. This the presi-

dent has refused to do, insisting that unemployment and the problem of its relief can be taken care of more efficiently through local agencies.

Among the cities which have attempted to carry out a system of local relief is Detroit, where Mayor Murphy has spent over \$17,000,000 in eight months to relieve the destitute. Evidence of inefficiency and corruption in the parceling out of this money brought sharp attacks from Henry Ford. A war of accusations and counter-accusations ensued between the city administration and the Ford Motor Company which finally ended when Henry Ford loaned the city \$5,000,000 to tide it over its deficiency. Meanwhile, a writer in the *National Municipal Review*, commenting on the situation in Detroit, says:

Within the past two months the trend has been from hit-or-miss relief, inspired by heart-throbs, to an increasing degree of system and efficiency, from listing and investigations to the final link in the chain. Whatever next winter may bring, apparently we shall be prepared for it. There is cooperation all down the line, in plans and activities, which formerly had been impossible. . . . Detroit's experience indicates the further need of deep thinking on broad lines and coördinate planning of a sort which avails itself of general experimentation, even on state and national lines. Somehow business and government must work together, must give authority to social and industrial experts, and must not expect such a city as Detroit, with its excessive emergency burden, to operate its government aid in complete isolation.

### TOWARD SANITATION

Few people know that there are at the present time six methods of disposing of garbage and municipal refuse in American cities, and a still smaller number know which of these six methods is the best, considered from the point of view of cheapness, efficiency and sanitation. Yet this is a problem which is of importance to all of us if for no other reason than that we wish to continue life with as little sickness

as possible. The outbreak of paralysis along the Atlantic seaboard this summer, reported to have been caused through faulty waste disposal, is only one indication of how important the entire question actually is.

Ninety per cent of American cities of less than 4,000 population are disposing of municipal wastes by dumping it on a stretch of waste land on the outskirts of the city limits. It has been found, however, that garbage cannot be satisfactorily disposed of in this manner because of the putrefaction that sets in, making the entire region a breeding place for flies, rats, and mice. Larger cities have adopted the methods of hog feeding and of incineration, either one of which has been found relatively satisfactory. The method of dumping garbage and waste material at sea, however, has been found to be very injurious to those communities which line the coast. The cities of New York, Boston and Oakland have used this method in the past, often with unsanitary results. The general movement at the present time is away from this antiquated system of waste disposal and toward more scientific means. Thus the methods of fermentation, reduction, and incineration are gradually being adopted because of the thoroughness with which they work and because of the absence of attendant dangers to health.

A report issued by the Chamber of Commerce of the United States describes the reduction method as a means, not only of successfully disposing of waste materials, but of actually extracting products which are in themselves of commercial value:

The Reduction method in principle consists of the utilization of chemical and mechanical processes to recover the grease content from food wastes, the grease having a commercial value for use in the manufacture of soap, candles, glycerine, etc. After the grease is extracted, the residual solids, or "tallowage" is sold for its fertilizer value.

## Cities Turning to Manager Plan

Over Four Hundred Municipalities Have Adopted This System

That the city manager plan of municipal government is gradually supplanting the traditional mayor-council plan in American cities and towns appears to be increasingly evident. There are at the present time some 430 cities in the United States, embracing a total population of over 7,000,000 people, which have adopted this form of government. Of these cities, it is estimated by the Chamber of Commerce of the United States, there are 14 which have populations over 100,000, and 47 with populations exceeding 50,000.

While it is true that since the introduction of the city manager plan in American municipal government there have been a number of cities (35) which have tried it and for various reasons have found it wanting, the general movement toward its adoption is increasing. Fifteen states have passed legislation permitting their cities and towns to vote on its adoption through a referendum. Indeed, the movement has spread to Canada and Ireland where a large number of municipalities have discarded their previous forms of government in its favor. From those cities which have found the city manager plan a welcome substitute come enthusiastic reports regarding its value. Thus, Long Beach, California, with a population of 168,000 reports on the city manager plan which it adopted in 1921, just previous to the greatest development in its history:

The advantages of the present plan are obvious in that there is a greater centralization of responsibility, less politics and more business-like management in the conduct of our government.

From another source, the town of Teaneck, New Jersey, comes the report, according to the *National Municipal Review*, of a reduction in the tax rate amounting to 10 per cent. This is directly attributed to the new plan of government which pulled Teaneck out of a condition described as follows:

It was head over heels in debt—approximately \$1,500,000 over its debt limit as fixed by the law passed early in 1930. Its tax rate was high, and gave promise of going higher unless something was done.

### A NEW JERSEY IDEA

The Wickersham report on the deplorable condition of prisons in this country has already received a response. Various prisons are to be improved in accordance with the suggestions laid down by the Wickersham Committee. One of the most interesting of the new experiments in prison reform, however, is the one that is being conducted at the present time on the New Jersey State Farm. There, instead of placing prisoners in cells, they are housed in a dormitory. William Inglis, writing in the *Review of Reviews*, describes a typical day in this unusual prison:

These men at Leesburg are up before six, eat a good breakfast, and begin work at seven. With an hour at midday for dinner, they work till five, then march to quarters, have half an hour to bathe and get ready for supper. They return to their barracks, or read, talk, and play games in the big recreation room, and go to bed at nine. The kitchen is large, well lighted, and ventilated. The food is not only wholesome but appetizing and well cooked.



FISHER BUILDING IN DETROIT

"Referring particularly to wheat, cotton and tobacco, a great deal is said about the economic instability of one crop states; but Detroit's problem, as indicative of the situation in automobile, rubber and steel centers, suggests that the same criticism applies to a one crop city."—Louisville (Ky.) COURIER-JOURNAL.